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Research/Advocacy at the MMS for the OCS-Gulf of Mexico

Lexco's OWL™ Database for the OCS

The OCS Bulletin Board SystemSM

April 14, 2005

By: OCS Public Comment Online

Mineral Management Service
1201 Elmwood Park Boulevard
New Orleans, LA 70123

To Whom It May Concern:

I own and operate a company that provides land and legal consulting and software, internet, and other services to over 150 energy concerns that work in the OCS Gulf of Mexico. Like NOIA and the OOC, we have expected to be granted the additional time to solicit input and opinions from our many clients. We were dismayed to learn yesterday that the MMS decided not to grant an extension of time. As a result the comment given today is necessarily short and to the point. I understand that the mms may, but is not obligated to review and consider any comments delivered after April 14, 2005. Nonetheless, we may provide a more detailed comment at a future date, if warranted.

With regard to the proposed rule, our comment will address only the cost to be levied against Non-Required Filings. The MMS plans to increase the cost for filing a doc in the Non-Required Filing from \$25 to \$170, nearly a seven-fold increase. We think this fee increase to be unwarranted and excessive. Substantial information in the proposed notice is provided regarding the efforts the MMS took in arriving and justifying these increases and reductions in the filing fees. Because of our close relationship and dealings with the adjudication unit of MMS Gulf of Mexico region, we know that the costs incurred by the MMS in processing and scanning the Non-Required Filing (which require simple indexing and no approval process) do not in any way warrant the levy of a cost increase of this proportion.

As mentioned earlier we work closely with the adjudication section, including the one employee charged with the handling and processing of the Non-Required Filing documents that are filed each week. After the documents are received by the MMS they are simply indexed to an OCS-G lease number(s) pursuant to instructions given on a cover letter transmitting the document. The documents are not reviewed or handled by anyone else in the MMS region (with the exception of making copies for the public at additional cost).

Interestingly, the cost for processing a document for record title interest or operating rights has been proposed to be reduced from \$185 to \$160, which is curious inasmuch as those types of assignments require the handling and review by several individuals within the MMS Adjudication Unit. Documents are indexed by the Non-Required Filing employee (who, by the way, has been doing that particular job for many years) then sent off to be scanned into PDF images.

A large part of the problem with the proposed fee increase is that it is excessive. For instance, under the old system a two page Release of Mortgage affecting 30 leases would cost \$750, which in itself is a steep recording fee for a two page document. Under the new system and using the same document as an example, because the \$170 fee is assessed against each lease that the filer wants the document indexed to, the resulting fee jumps to a whopping \$5,100, a staggering increase.

Under this new price regime, a simple analyst of a Non-Required Filing filed within one week is shown below and the revenue that the adjudication unit would receive as a result, the results are telling. There were pulled from a one-week period and there are many more exactly like this example.

Examples:

1. One Financial Statement document filed on 12/23/2004 was indexed to 66 leases, which would now cost \$11,220.
2. One Mortgage, Deed of Trust document filed on 12/22/2004 was indexed to 80 leases, which would now cost \$13,600.
3. One Assignment and Bill of Sale document filed on 12/17/2004 was indexed to 156 leases, which would now cost \$26,520.

Our suggestion to the MMS to make these fees fair and reasonable is two-fold. The first is to charge a reasonable fee based on a per page basis. The second is to charge a flat fee for each document, regardless of its size, and to eliminate the additional charges for indexing the document to more than one lease. Under either of these scenarios a fair and equitable charge can be levied commensurate with the cost the MMS incurs to provide this service.

As mentioned earlier, our companies provide data and information to the vast majority of the energy companies working in the OCS. The Non-Required Filing documents are extremely important to the oil and gas industry working in the Gulf of Mexico. They provide evidence and a chain of title of important documents that affect title to OCS lease, such as mortgages, suits, liens, overriding royalty interests, and many other documents. Our office has re-indexed the nearly 30,000 documents in the Non-Required Filing to provide industry a better means to research the documents. As an alternative to either scenarios mentioned above we would be willing to consider taking over this function at a substantial reduced cost, than the one presently being considered.

Sincerely,

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